

### KCB Keeps Delivering as EPS Climbs 10.7% to Kes 5.54, from Kes 5.01 in Q1 2025

KCB Group Plc delivered a solid Q1 2026 performance, reinforcing its position as a tier-one lender with sustained earnings momentum. Earnings Per Share (EPS) rose 10.7% to KES 5.54 from KES 5.01, while Profit After Tax (PAT) increased 10.0%, supported by continued income resilience and disciplined cost management.

On the market side, KCB continues to show a mixed performance profile. The counter is up 56.32% y/y, broadly tracking the wider market, but recent price action reflects short-term pressure, with a 3-month decline of 10.70% and a muted 1.52% YTD gain. This contrasts with the broader market trend, where the Nairobi All Share Index is up 10.31% YTD and 53.57% y/y, alongside a 9.33% six-month gain.

The divergence is more evident in recent trading periods, where KCB has underperformed on both 3-month and 6-month bases (-10.70% and -2.69% respectively), suggesting profit-taking, rotation out of large caps, or digestion of earlier outperformance. Against this backdrop, we maintain our speculative buy recommendation at current price levels.

Recommendation:	Speculative Buy
Share Stats	
Current Price	66.75
3-Month Av	71.28
6 Month Av	68.05
12 Month Av	59.72
52 Week High	80.25
52 Week Low	40.80
Issued shares (Bn)	3.21
Market Cap (KES Bn)	214.27
Market Cap (USD Mn)	1.65
P/E	12.04
PB	0.50
EPS	5.54

### Income Statement

**Total Income:** KCB Group recorded an 8.5% y/y increase in total income to Kes. 53.64Bn in Q1 2026, up from Kes. 49.44Bn in Q1 2025. The growth was supported by an 8.6% growth in Net interest income (NII) to Kes. 36.61Bn from Kes. 33.72Bn, driven by lower funding costs and growth in interest-earning assets. Non-funded income (NFI) also increased by 8.3% to Kes. 17.03Bn from Kes. 15.72Bn, supported by higher lending fees, foreign exchange income, and service fees. Lending fees notably grew by 27.0% on the back of increased loan volumes and stronger transaction activity.

**Interest income:** Total interest income rose moderately by 2.1% to Kes. 51.26Bn from Kes. 50.19Bn in Q1 2025. Interest income from loans remained broadly stable at Kes. 35.58Bn from Kes. 35.46Bn, while income from government securities increased by 4.2% to Kes. 12.79Bn from Kes. 12.27Bn. Income from placements also rose to Kes. 2.89Bn from Kes. 2.46Bn, reflecting improved deployment of short-term liquidity.

**Interest expense:** Interest expenses declined by 11.1% to Kes. 14.64Bn from Kes. 16.47Bn, supported by a reduction in deposit costs as customer deposit expenses fell 11.5% to Kes. 11.41Bn. Expenses on placements also declined to Kes. 3.13Bn from Kes. 3.46Bn, reflecting the easing funding environment and improved liability management.

**Operating expenses:** Total operating expenses rose moderately by 3.4% to Kes. 29.21Bn from Kes. 28.26Bn, driven by scaled technology investments, branch expansion, and higher variable business costs. However, loan loss provisions declined by 12.4% to Kes. 4.91Bn from Kes. 5.60Bn, reflecting improved asset quality and ongoing NPL resolution strategies.

Periods	KCB	NASI
3mtd PriceΔ	-10.70%	-1.93%
6mtd PriceΔ	2.69%	9.33%
YTD Δ	1.52%	10.31%
Y/Y Δ	56.32%	53.57%

NII	8.6%
Provisions	-12.4%
Opex	3.4%
Opex Excl. LLPs	7.3%
PBT	15.3%
PAT	10.0%
Loans	10.8%
Govt. Securities	11.6%
Shareholders' Funds	18.6%

### Balance Sheet

**Total Assets:** KCB Group’s balance sheet expanded strongly in Q1 2026, with total assets rising 10.8% to Kes. 2.25Trn from Kes. 2.03Trn in Q1 2025, supported by growth in the loan book, government securities, and customer balances.

**Net loans and advances** grew by 18.6% to Kes. 1.21Trn from Kes. 1.02Trn, driven by increased disbursements to households and businesses, particularly in KCB Bank Kenya. Growth was strongest in personal/household lending, trade, manufacturing, and real estate sectors. Investments also grew by 11.6% to Kes. 444.50Bn from Kes. 398.24Bn. Subsidiaries outside KCB Kenya continued to support growth, with total assets in regional subsidiaries rising by 26.0% y/y excluding the impact of the National Bank sale.

**Customer deposits:** Customer deposits grew by 15.7% to Kes. 1.65Trn from Kes. 1.43Trn, supported by new-to-bank customers across both retail and corporate segments. Deposits accounted for 73.0% of total funding. Demand deposits increased their share to 63.0% from 55.0%, reflecting a stronger low-cost deposit mix, while term deposits declined to 17.0% from 21.0%. Local currency deposits accounted for 67.0% of the deposit mix, with foreign currency deposits contributing 33.0%.

**Borrowing:** The Group’s borrowings increased by 13.7% to Kes. 92.85Bn from Kes. 81.65Bn in Q1 2025, while balances due to other banks rose significantly, reflecting increased funding to support loan growth and working capital requirements.

**Shareholders’ equity:** Shareholders’ funds rose by a solid 18.6% to Kes. 352.24Bn from Kes. 297.09Bn, supported by retained earnings and continued capital accretion across subsidiaries.

**Asset quality:** The Group’s asset quality improved significantly, with the gross NPL ratio declining to 15.9% from 20.7%. Gross NPLs moderated as recoveries, restructurings, write-offs, and rehabilitation strategies continued to bear fruit. Key improvements were noted in KCB Bank Kenya and across most regional subsidiaries, although pressure remained in segments such as manufacturing and trade.

### Key Ratios

- KCB Group’s return on average equity (ROaE) declined marginally to 20.3% from 21.0%, reflecting faster growth in shareholder funds, while return on average assets (ROaA) improved to 3.1% from 2.8%, supported by stronger earnings generation.
- Net interest margin (NIM) improved to 8.6% from 8.3%, supported by lower funding costs and resilient funded income growth.
- Cost of funds improved significantly to 3.6% from 4.7% amid declining deposit costs.
- Yield on interest-earning assets moderated slightly to 12.0% from 12.7%, reflecting the softer interest rate environment.
- Cost of risk improved to 9.2% from 11.3%, supported by lower loan impairment charges and improving asset quality trends.
- Operational efficiency strengthened, with the cost-to-income ratio improving to 54.5% from 57.2%. CIR excluding loan loss provisions also improved marginally to 45.3% from 45.8%.
- Loan-to-deposit ratio increased slightly to 73.1% from 71.3%, reflecting stronger credit growth.

<u>Interest Income</u>	<u>Q1 2025</u>	<u>Q1 2026</u>
Loans	35.46	35.58
Government securities	12.27	12.79
Placements	2.46	2.89
<b><u>Total</u></b>	<b><u>50.19</u></b>	<b><u>51.26</u></b>

  

<u>Interest Expense</u>	<u>Q1 2025</u>	<u>Q1 2026</u>
Deposits	12.90	11.41
Placements	3.46	3.13
Other Expenses	0.11	0.10
<b><u>Total</u></b>	<b><u>16.47</u></b>	<b><u>14.64</u></b>

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Balance Sheet	Q1 2025	Q1 2026	%Δ Y-Y
Investments	398.24	444.50	11.61%
Loans and Advances	1,018.57	1,208.21	18.62%
<b>Total Assets</b>	<b>2,034.17</b>	<b>2,254.50</b>	<b>10.83%</b>
Customer Deposits	1,427.81	1,652.11	15.71%
Borrowing	81.65	92.85	13.72%
Total Liabilities	1,728.67	1,892.74	9.49%
<b>Shareholder's Funds</b>	<b>297.09</b>	<b>352.24</b>	<b>18.56%</b>

Income Statement	Q1 2025	Q1 2026	%Δ Y-Y
Interest Income	50.19	51.26	2.1%
Interest Expense	(16.47)	(14.64)	-11.1%
NII	33.72	36.61	8.6%
NFI	15.72	17.03	8.3%
<b>Total Income</b>	<b>49.44</b>	<b>53.64</b>	<b>8.5%</b>
Loan Loss provision	(5.60)	(4.91)	-12.4%
Total Operating expenses	(28.26)	(29.21)	3.4%
Opex excl Provision	(22.66)	(24.31)	7.3%
<b>PBT</b>	<b>21.18</b>	<b>24.43</b>	<b>15.3%</b>
<b>PAT</b>	<b>16.54</b>	<b>18.20</b>	<b>10.0%</b>
<b>EPS</b>	<b>5.01</b>	<b>5.54</b>	<b>10.7%</b>

Ratios	Q1 2025	Q1 2026	pp. Δ Y-Y
Yield from interest-earning assets	12.7%	12.0%	-0.7%
Cost of funds	4.7%	3.6%	-1.2%
Cost of risk	11.3%	9.2%	-2.2%
Net Interest Margin	8.3%	8.6%	0.3%
Net Interest Income as % of operating income	68.0%	69.2%	1.2%
Non-Funded Income as a % of operating income	32.0%	30.8%	-1.2%
Cost to Income Ratio	57.2%	54.5%	-2.7%
CIR without LLP	45.8%	45.3%	-0.5%
Cost to Assets	1.1%	1.1%	0.0%
NPL Ratio	20.7%	15.9%	-4.8%
Loan to Deposit Ratio	71.3%	73.1%	1.8%
Return on average equity	21.0%	20.3%	-0.7%
Return on average assets	2.8%	3.1%	0.3%

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- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
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- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

\*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th Floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049039

Email: [kingdomresearch@co-opbank.co.ke](mailto:kingdomresearch@co-opbank.co.ke)

Research Department

Equities Trading

Stellah Swakei [sswakei@co-opbank.co.ke](mailto:sswakei@co-opbank.co.ke)

Chrisanthus Lunani [clunani@co-opbank.co.ke](mailto:clunani@co-opbank.co.ke)

Asena Moffat [amoffat@co-opbank.co.ke](mailto:amoffat@co-opbank.co.ke)